

Message Text

UNCLASSIFIED

PAGE 01 TOKYO 02142 151005Z

ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 SP-02 USIA-15 AID-05 EB-08
NSC-05 CIEP-02 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04
SIL-01 PA-02 PRS-01 /106 W
-----151019Z 045793 /21

P R 150941Z FEB 77

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 5476

TREASURY DEPT WASHDC PRIORITY

INFO AMEMBASSY BONN

AMEMBSSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION OECD PARIS

USMISSION EC BRUSSELS

UNCLAS TOKYO 2142

E.O. 11652: N/A

TAGS: EFIN, JA, U.S.

SUBJECT: PUBLIC COMMENT ON TOKYO FOREIGN EXCHANGE MARKET
DEVELOPMENTS

REF: -. TOKYO 1961; B. TOKYO 2075

1. SUMMARY: SHARP YEN RATE MOVEMENTS IN TOKYO FOREIGN
EXCHANGE MARKET DRAW EXTENSIVE PRESS PLAY. MOF VICE MIN
MATSUKAWA SAYS U.S. NOT URGING YEN APPRECIATION AND THAT
HIGH YEN RATE TEMPORARY. MITI SAYS EXPORT INDUSTRIES CAN
LIVE WITH RATE AROUND YEN 280 TO DOLLAR. YEN APPRECIATION MAY FOCUS
ATTENTION ON MONETARY POLICY. END SUMMARY.

2. ON HEAVY VOLUME (\$261 MIL), YEN FLUCTUATED WIDELY IN
TOKYO FOREX MARKET TODAY (TUESDAY FEB 15). IN MORNING
SESSION, YEN ROSE BRIEFLY TO HIGH OF YEN 280.30 TO DOLLAR
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 TOKYO 02142 151005Z

IN HEAVY TRADING. SUBSEQUENTLY, WITH MARKET REPORTS OF
"SMALL SCALE" BOJ INTERVENTION, YEN DECLINED AGAINST
DOLLAR, TO CLOSE AT YEN 284.00, ACTUALLY DOWN ONE YEN
FROM MONDAY CLOSE. DOMINATE TRADING RATE (SO-CALLED
CENTRAL RATE) FOR DAY WAS YEN 280.70/DOLLAR, AS COMPARED
WITH 283.00 YESTERDAY.

3. THE SHARP YEN RATE MOVEMENTS IN THE TOKYO FOREIGN EXCHANGE MARKET HAVE ATTRACTED SUBSTANTIAL PUBLIC COMMENT. IN ADDITION TO PREDICTABLE ATTENTION TO YEN SURGE, SOME COMMENTS REFLECT CONTINUING REACTION TO KLEIN STATEMENT LAST WEEK ON YEN/DM APPRECIATION (REF A); SOME DERIVE FROM ALLEGED EC INTENT TO PLACE PRESSURE ON YEN (REF B); AND SOME ARE BASED ON PRESS CONFERENCE GIVEN BY MOF VICE MIN FOR INTL AFFAIRS MATSUKAWA MON FEB 14 TO REPORT ON HIS VISIT LAST WEEK TO THE U.S.

4. ACCORDING TO PRESS REPORTS, MATSUKAWA, IN COMMENTING ON ALLEGED URGING BY PROFESSOR KLEIN THAT YEN APPRECIATE 10 PERCENT, TOLD THE PRESS THAT RESPONSIBLE U.S. OFFICIALS HAD NOT ASKED FOR YEN APPRECIATION. MATSUKAWA IS REPORTED TO HAVE SAID THAT U.S. OFFICIALS DID NOT RAISE QUESTION OF JAPAN'S BILATERAL TRADE SURPLUS WITH U.S. HE REPORTED THAT HE HAD EXPLAINED TO U.S. OFFICIALS THAT JAPAN'S CURRENT ACCOUNT WOULD MOVE INTO DEFICIT IN FISCAL 77. U.S. OFFICIALS, HE SAID, HAD POINTED TO IMPORTANCE OF ACHIEVING THIS FORECAST, NOTING THAT JAPAN HAD ALSO FORECAST A CURRENT ACCOUNT DEFICIT FOR PRESENT YEAR, BUT WOULD IN FACT HAVE SURPLUS. IN REPORTING FURTHER ON HIS TALKS IN THE U.S. HE EMPHASIZED THAT, WHILE THE U.S. HAD NOT SOUGHT A HIGHER GROWTH TARGET FOR JAPAN, IT HAD EXPRESSED STRONG HOPES THAT JAPAN'S PRESENT 6.7 PERCENT TARGET FOR FY 77 GROWTH WOULD BE ACHIEVED.

5. KLEIN STATEMENTS CONTINUE TO RECEIVE PRESS PLAY, LARGELY REFLECTING LINGERING SUSPICIONS THAT THEY REPRESENT "REAL" VIEWS OF ADMINISTRATION. LOCAL PRESS TODAY ALSO HEADLINES A UNCLASSIFIED

UNCLASSIFIED

PAGE 03 TOKYO 02142 151005Z

BRUSSELS REUTERS REPORT THAT THE COMMISSION OF THE EUROPEAN COMMUNITIES HAS DENIED TOKYO PRESS REPORTS THAT THE EC MAY BE SEEKING TALKS WITH JAPAN WITH A VIEW TO YEN APPRECIATION (AS A MEANS OF REDUCING THE JAPANESE TRADE SURPLUS WITH THE EC). PRESS ALSO REPORTS SIMILAR DENIALS BY JAPANESE GOVT OFFICIALS.

6. MATSUKAWA IN HIS PRESS CONFERENCE IS ALSO QUOTED AS SAYING THAT HE DID NOT THINK THE PRESENT APPRECIATED YEN RATE WOULD LAST VERY LONG. ELSEWHERE, FINMIN SOURCES ARE ALSO SAID TO FEEL THAT ACCELERATED EXPORTS BY TRADING COMPANIES IN ANTICIPATION OF IMPORT CONTROLS ABROAD HAVE BEEN A TEMPORARY FACTOR. INCREASING DOLLAR SUPPLY.

7. ON THE OTHER HAND, PRESS REPORTS ATTRIBUTE TO MITI STATEMENTS (A) ON MONDAY, THAT RATE AROUND YEN 280 TO THE DOLLAR WOULD NOT HAVE SUBSTANTIAL EFFECTS ON MAJOR EXPORT INDUSTRIES SUCH AS AUTOMOBILES AND STEELS AND (B) ON TUESDAY, THAT PREVAILING YEN/DOLLAR EXCHANGE RATE QUITE REASONABLE.

(AMONG OTHER INDUSTRIES SURVEYED BY PRESS, TEXTILE COMPANIES FACING COMPETITION FROM SOUTH KOREA, TAIWAN AND OTHER AREAS ARE SAID TO FEEL THEY WOULD BE HARD HIT BY CURRENT YEN APPRECIATION.) MITI IS ALLEGED TO BE TAKING THE VIEW THAT ALLOWING EXCHANGE RATES TO BE LEFT TO THE MARKET WILL SERVE TO REDUCE/AVOID TRADE FRICTIONS WITH EUROPE AND THE U.S. AND TO HAVE FAVORABLE EFFECTS THROUGH A DECLINE IN IMPORT PRICES, PARTICULARLY CRUDE OIL, VIEWS SUPPORTED EDITORIALY BY SANKEI (MAJOR DAILY OFTEN REFLECTING VIEWS OF BIG BUSINESS).

8. AMONG FACTORS OTHER THAN THOSE ABOVE BEING CITED AS CONTR-

IBUTING TO CURRENT APPRECIATION OF YEN IS INTERNATIONALLY HIGH INTEREST RATE LEVELS IN JAPAN. IN THIS RESPECT, INTERESTING TO NOTE THAT LDP COUNCIL ON FINANCIAL AND MONETARY PROBLEMS IS REPORTED TODAY AS HAVING DECIDED TO INTENSIFY
UNCLASSIFIED

UNCLASSIFIED

PAGE 04 TOKYO 02142 151005Z

COORDINATION ON FINANCIAL AND MONETARY PROBLEMS, WITH SOME COUNCIL MEMBERS REPORTEDLY REFERRING TO THE APPRECIATION OF THE YEN AND SUGGESTING REDUCTION IN THE DISCOUNT RATE.

9. ANOTHER FACTOR CONTRIBUTING TO RECENT FOREX MARKET DEVELOPMENTS MAY BE NUMBER OF PRESS REPORTS TO THE EFFECT THAT THE BOJ IS LIMITING, AND WILL CONTINUE TO LIMIT, ITS INTERVENTION IN THE MARKET BECAUSE OF POTENTIAL FOREIGN PRESSURE AT CARTER-FUKUDA AND ADVANCED NATIONS SUMMIT MEETINGS. THESE REPORTS THEMSELVES COULD BE AFFECTING MARKET EXPECTATIONS.
SHOESMITH

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN EXCHANGE RATES, YEN (CURRENCY)
Control Number: n/a
Copy: SINGLE
Sent Date: 15-Feb-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977TOKYO02142
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770053-0389
Format: TEL
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770238/aaaabhwy.tel
Line Count: 151
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 68234bc6-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 77 TOKYO 1961, 77 TOKYO 2075
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 10-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3312649
Secure: OPEN
Status: NATIVE
Subject: PUBLIC COMMENT ON TOKYO FOREIGN EXCHANGE MARKET DEVELOPMENTS
TAGS: EFIN, JA, US
To: STATE TRSY
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/68234bc6-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009